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ANNUAL REPORT 1968

**ANGLO AMERICAN CORPORATION
OF CANADA LIMITED**



DIRECTORS

H. F. Oppenheimer
Chairman, Anglo American Corporation of South
Africa Limited and De Beers Consolidated Mines
Limited.
Director, Canadian Imperial Bank of Commerce

M. W. Rush
Director, Anglo American Corporation of South
Africa Limited and Charter Consolidated Limited.
Chairman, Hudson Bay Mining and Smelting Co.,
Limited

Eric S. Austin
President, Hudson Bay Mining and Smelting Co.,
Limited

Ian D. Davidson, C.B.E.
Chairman, Western Assurance Company

C. W. Engelhard
Chairman, Engelhard Minerals & Chemicals
Corporation.
Director, Hudson Bay Mining and Smelting Co.,
Limited and Anglo American Corporation of
South Africa Limited

Allan Graydon, Q.C.
Counsel, Messrs. Blake, Cassels & Graydon

T. O. Peterson
Chairman of the Board, The Investors Group

Rhys M. Sale, LL.D., D.Sc.
Director, Great-West Life Assurance Company

Hon. H. A. V. Smith
Chairman, Charter Consolidated Limited.
Director, Anglo American Corporation of South
Africa Limited

J. D. Taylor, Q.C.
Partner, Fasken & Calvin

W. D. Wilson
Director, Anglo American Corporation of South
Africa Limited

OFFICERS

H. F. Oppenheimer, Chairman

M. W. Rush, President

G. J. Risby, Vice President—Treasurer

Dr. A. E. Waters Jr., Vice President—Exploration

A. B. McKerron, Vice President

T. P. Sullivan, C.A., Secretary

Report of the Directors

The issued capital of the Company did not change during 1968 and remained at 8,429,545 shares without par value, representing capital funds of \$86,085,450. Retained earnings at the end of the year amounted to \$4,384,535 and the total shareholders' equity of \$90,469,985 was made up of working capital \$6,876,793, quoted investments \$69,854,127 (market value \$89,894,215), unquoted investments \$12,291,839 and mortgages and fixed assets \$1,447,226.

The net asset value of the Company at 31st December, 1968, taking listed assets at their realizable or market value and unlisted assets at the lower of cost or Directors' valuation, was \$111,126,510 which was the equivalent of \$13.18 per share—the comparable figures at the end of 1967 were \$84,523,886 and \$10.03. This marked improvement was mainly the result of considerable increases in the market prices of the shares of Hudson Bay Mining and Smelting Co., Limited and of the South African securities.

The issued capital is held 32.8% by the Anglo American Group, 26.1% by the De Beers Group, 24.7% by the Charter Consolidated Group, 10% by companies managed by the Investors Group and 6.4% by other companies.

INCOME AND DIVIDENDS

Net income of the Company and its subsidiaries for the year 1968 was \$4,582,167, equal to 54.4 cents per share. The comparable figures for 1967 were \$3,906,359 and 46.3 cents per share. The improvement of 17% in net income was largely the result of successful trading in securities. The gain on sales of gold bullion which was purchased to protect the cash assets of the Company, compensated for the loss of interest on funds employed in this way. Dividend income was \$196,901 higher than in 1967. Not included in normal earnings were exceptional gains of \$1,383,081 realized on the sale of investment holdings.

Dividend distributions for the year were maintained at 37½ cents per share and absorbed \$3,161,080. As a

matter of prudence rather than of necessity the book values of certain unquoted investments, mainly the shareholding in Baffinland Iron Mines Limited, were written down by \$759,064. Provision was made for an amount of \$221,106 spent on prospecting ventures and after writing off sundry small items, the amount of retained earnings was increased by \$1,792,812.

SUMMARY OF PRINCIPAL ASSETS

The Company's shareholding in Hudson Bay Mining and Smelting Co., Limited was increased during 1968 by the acquisition of 70,692 shares and at the year end amounted to 759,707 shares or 25.26% of that company's issued capital. Since the end of 1968, this interest has been increased by the purchase of 71,850 shares and the Company's direct holding is now 831,557 shares, which is 27.62% of the issued capital.

It will be recalled that when this Company was enlarged in 1966, shareholdings were acquired in De Beers Consolidated Mines Limited and in Rand Selection Corporation Limited, two South African companies with extensive diamond and gold interests. By the second half of 1968, the value of these shareholdings had practically doubled and advantage was taken of favourable opportunities to realize some of these shares, which in terms of market values are yielding very low returns. This policy will be continued with the intention of making further funds available for investment in Canada.

The Company continues to hold a 40% shareholding interest in Francana Development Corporation Ltd., which was acquired towards the end of 1967 at a cost of \$6,800,000, and a 10% interest in Agnew Lake Mines Limited, which owns a uranium property in Ontario.

A substantial shareholding was purchased during the year in The White Pass and Yukon Corporation Limited, a company engaged in providing integrated transportation services in the Yukon Territory and northwestern British Columbia. Since the year end this interest has been increased to a holding equal to 25.6% of the outstanding common shares of White Pass and Yukon Corporation.

In 1968 your Company entered into agreements with certain major shareholders of Great Northern Capital Corporation Limited, a land development company, in terms of which in the event of the exercise of options, it would acquire a 27% interest in that company.

At the year end, the market value of the shareholding in Hudson Bay Mining and Smelting Co., Limited represented 50.2% of the total net assets of the Company and its subsidiaries. South African securities represented 18.3%, other listed securities, mainly Canadian, accounted for 15.5%, unlisted Canadian interests at book value 12.4% and net current assets, other than trading securities, the remaining 3.6%. The performances of the companies, in which important interests are held, are described in the following sections of this report.

HUDSON BAY MINING AND SMELTING CO., LIMITED

Net earnings of Hudson Bay Mining for the year 1968 were \$21,134,880 or \$7.42 a share, compared with \$16,718,617, or \$5.93 a share in 1967. The improvement in earnings was attributable to a number of factors, including higher copper and zinc production, increased gain on sale of investments, and treatment of tax-free ore from the new Osborne Lake mine. Four quarterly dividends of 85 cents per share were paid during the year, together with an increased year-end extra of 60 cents, making a total distribution for the year of \$4.00 per share compared with \$3.90 per share in 1967.

Metal production for the year was 41,660 tons of refined copper, 80,308 tons of slab zinc and significant quantities of cadmium, gold, silver and selenium. New ore developed by Hudson Bay Mining during the year amounted to 2,342,000 tons, some 728,000 tons more than the tonnage of ore mined. At the year end proven ore reserves totalled 17,612,300 tons, averaging 3.0% copper and 3.8% zinc.

In December, 1968, Hudson Bay Mining issued 168,138 new shares in connection with the acquisition of the Sylvite of Canada Ltd. property. Previously, 51% of the outstanding common shares of Sylvite of Canada Ltd., a company organized in 1966 to develop potash deposits

located near Rocanville, Saskatchewan, had been held by Hudson Bay Mining. Its interest in the potash project was increased to 100% by acquiring all the properties and assets of Sylvite on 9th December, 1968. The 168,138 shares were issued to the minority shareholders of Sylvite of Canada Ltd. in exchange for their 49% interest. Your Company, as one of the minority shareholders, received 29,167 Hudson Bay Mining shares.

Good progress was made during 1968 at the potash property, which is now being developed as a division of Hudson Bay Mining, with the engineering, construction, and shaft sinking programmes proceeding almost on schedule. At the year end a total of \$21,713,000 had been spent on the property, including \$13,546,000 on shaft sinking.

In terms of agreements entered into in December, 1968, an amount of \$7,000,000 (U.S. funds) has been invested by Hudson Bay Mining in Terra Chemicals International Inc. of Sioux City, Iowa. The investment, which comprises common stock, convertible subordinated notes, and subordinated sinking fund notes, provides Hudson Bay Mining with an equity interest of 15% in Terra Chemicals and the right to increase its interest to 25% through conversion of the convertible notes. Terra Chemicals owns a chemical complex near Sioux City, consisting of a 600-ton-per-day, new-type ammonia plant, with upgrading facilities for production of ammonium nitrate, urea, and other derivatives of nitrogen products. In addition, Terra Chemicals, whose sales currently exceed \$30,000,000 per annum, has a fertilizer distribution system servicing the central portion of the United States. The new potash division of Hudson Bay Mining will be the principal supplier of Terra Chemicals' growing potash requirements and the two companies will investigate the marketing of additional potash.

Hudson Bay Diecastings Limited, a wholly owned subsidiary of Hudson Bay Mining, earned satisfactory profits in 1968 when its sales were doubled and the value of the output exceeded \$4,000,000. Another wholly owned subsidiary, Zinc Oxide Company of Canada Limited, also had a successful year with record sales of zinc oxide

and zinc dust which exceeded those of 1967 by approximately 28%. Francana Oil & Gas Ltd., held as to 60% by Hudson Bay Mining, reported earnings of \$760,000, after making provisions for deferred taxes.

On 1st April, 1969, Hudson Bay Mining announced that a small copper mine in northeastern Saskatchewan, Flexar Mines Limited, in which it has an 80% interest had commenced production that day. Ore production in 1969 is scheduled for 210 tons per calendar day, increasing to 277 tons the following year. Proven ore reserves total 272,500 tons averaging 4.23% copper.

SOUTH AFRICAN SECURITIES

At the year end the Company's shareholding interests in De Beers Consolidated Mines Limited and Rand Selection Corporation Limited had a combined market value of \$20,395,030. De Beers, in its preliminary statement issued on 18th March, 1969, reported record consolidated profits for 1968 of \$175,138,000 (converted to Canadian dollars at the rate of R1=\$1.50), an increase of \$28,248,000 by comparison with the previous year. Of this, the outside interests in the profits of subsidiary companies amounted to \$16,722,000, leaving the net profit attributable to De Beers at \$158,416,000, which was \$24,781,000 higher than the year 1967. The final dividend on the deferred shares was increased to \$1.35 to make the total payment for the year \$1.95 compared with \$1.65 in 1967. Rand Selection reported earnings of \$29,454,000, or 86.6 cents a share for the year ended 30th September, 1968, reflecting little change from the previous year. Dividends were maintained at 60 cents a share and absorbed \$20,421,000.

FRANCANA DEVELOPMENT CORPORATION LTD.

Net income of Francana Development Corporation Ltd., in which the Company has a 40% interest, for the year ended 31st December, 1968, amounted to \$819,233, compared with \$447,924 the previous year. The major sources of income of Francana Development, in which Cr dit Foncier Franco-Canadien holds the remaining 60%, were dividends paid by Hudson Bay Mining and Smelting Co.,

Limited and by Francana Oil & Gas Ltd. and the earnings of a trading subsidiary, Frandevcor Investments Ltd. As a result of the purchase of the assets of Sylvite of Canada Ltd. by Hudson Bay Mining, to which reference has been made earlier, Francana Development, as one of the minority shareholders in Sylvite, received 87,500 Hudson Bay Mining shares to increase its holding to 152,000 shares.

After provision for current and deferred taxes, the 1968 earnings of Francana Oil & Gas Ltd., in which a 40% interest is held by Francana Development, were \$760,000. Proven crude oil reserves increased during the year to 13,100,000 barrels, plus an estimated 148,000 barrels of natural gas liquids, mainly as a result of the implementation of secondary recovery schemes in the Battrum and Willmar fields of Saskatchewan. Proven gas reserves at the end of 1968 had increased to 25.3 billion cubic feet—this was due to acquisition of an interest in wet gas reserves in Alberta. During the year Francana Oil & Gas acquired an acreage position in the Arctic and in the Northwest Territories and also an exploration permit in the Wollaston Lake area of Saskatchewan—this permit is located in an area which will be the scene of extensive exploration for uranium and other metals.

Francana Minerals Ltd., which is 60% owned by Hudcana Development Corporation Ltd. which in turn is 60% owned by Hudson Bay Mining, 30% by Francana Development and 10% by your Company, completed its new sodium sulphate plant located near Cabri, Saskatchewan, on 10th November, 1968. By the year end, start-up difficulties which were mostly mechanical had been overcome and the plant was operating at close to rated capacity. Production of sodium sulphate during the short period of operation in 1968 totalled 2,200 tons, of which 950 tons were sent as trial shipments to consumers in the pulp and paper industry. The Francana Minerals product compares favourably with that of other Saskatchewan producers and marketing difficulties are not expected.

In 1968 your Company received \$160,000 by way of dividend income from its interest in Francana Develop-

ment. At the year end the realizable value of the underlying assets of Francana Development was substantially in excess of the book value of your Company's investment in that company.

AGNEW LAKE MINES LIMITED

Reference has been made earlier to the 10% shareholding interest in Agnew Lake Mines Limited. Your Company is committed to guarantee 20% of the finances that may be required to bring the uranium property to production on the same terms and conditions that Kerr-Addison Mines Limited, the controlling shareholder, guarantees provision of the remaining 80%. During the year your Company provided \$1,600,000 under the financing arrangements.

Shaft sinking was started at the Agnew Lake uranium mine in 1968 and at the year end had reached a depth of 1,408 feet out of a total planned depth of approximately 3,000 feet. Preliminary metallurgical tests on the feasibility of using a sink-float process in the treatment of this ore gave encouraging results. Further drilling to obtain detailed structural information required for mine planning is under way. However, until the studies are completed and firm contracts for the sale of the uranium have been concluded, the actual date on which the mine will come into production will remain in abeyance.

THE WHITE PASS AND YUKON CORPORATION LIMITED

The White Pass and Yukon Corporation operates a completely integrated ship-train-truck transportation system between Vancouver and points in the Yukon Territory, as well as a truck transport service between Edmonton, Alberta, Dawson Creek, British Columbia, and Whitehorse, the main centre and the hub of the road system of the Yukon. It also operates a petroleum products pipeline and acts as a wholesaler of petroleum products.

For the year 1968 White Pass and Yukon Corporation reported net earnings of \$2,001,453, equal to \$1.06 for each outstanding common share, compared with

\$1,474,730, or 94 cents a share, the previous year. Operating profits amounted to \$1,742,538, representing an increase of 34.7% over the corresponding figure of \$1,293,385 for the year 1967.

Total tonnage handled by the company in 1968 increased by approximately 32% over the previous year. The current construction, development and upgrading of the transportation facilities of White Pass and Yukon Corporation will be completed and in operation by the fall of 1969. This expansion programme is designed to support the Yukon's growing mining industry and, in particular, to transport lead and zinc concentrates from the Anvil Mining Corporation, Limited mine, near Ross River in the Yukon. Concentrates will be transported by truck to Whitehorse and then by rail to Skagway for loading into ocean vessels destined for Japan. The 110.7 mile narrow-gauge railway connecting Skagway with Whitehorse is being upgraded and the terminal facilities at Skagway are being expanded to handle the increased volumes of products from the mines. White Pass and Yukon Corporation owns and operates a tanker-container vessel of about 6,500 d.w.t. between Vancouver and Skagway and has under construction a second ship of approximately the same size and design which should be ready for service in July, 1969.

GREAT NORTHERN CAPITAL CORPORATION LIMITED

In 1968 your Company entered into agreements with certain major shareholders in Great Northern Capital Corporation in terms of which, in the event of the exercise of options, it could acquire 576,450 shares in that company. Subsequent to the year end, 160,450 shares have been acquired arising from the agreements. The price paid for these shares, and applicable to those remaining under option exercisable in January, 1971, is substantially lower than the present market price of Great Northern Capital shares. In the event of the exercise of the remaining options, your Company will have an interest equal to 27% of the outstanding shares of Great Northern Capital.

Great Northern Capital is a holding company whose subsidiaries are engaged primarily in land development,

mainly residential, in several provinces in Canada and in Pennsylvania. The property in Pennsylvania is a 4,000 acre vacation community development in the Poconos, called Hemlock Farms. Other assets of Great Northern Capital include two brick plants and an old established restaurant in Toronto known as The Old Mill.

Earnings are not yet available for the year 1968, but for the nine months ended 30th September, 1968, the consolidated net profit of Great Northern Capital totalled \$3,527,960 on sales of \$10,626,185, compared with \$685,181 on sales of \$6,740,654 for the same period of 1967. Earnings included extraordinary gains of \$2,376,550 in the 1968 period and \$496,300 in the first nine months of 1967.

In December, 1968, an offer was made to shareholders of Western Heritage Properties Limited to acquire all the outstanding shares on the basis of one Great Northern Capital common share for each two common shares of Western Heritage held. At the date of the offer, Great Northern Capital held some 70.17% of the outstanding shares of Western Heritage. The potential shareholding interest of your Company in Great Northern Capital will suffer a small dilution arising from the share exchange offer.

Great Northern Capital announced on 7th February, 1969, that it had agreed to acquire Rodell Corporation (1967) Limited of Winnipeg. Rodell Corporation is engaged in contract drilling operations, in the distribution of heavy construction and industrial equipment, and in the manufacture of component parts for drilling tools, diamond saws and grinding wheels, oil well diamond heads and automated machinery. In addition, Rodell Corporation operates a particle board plant at Sprague, Manitoba, with an estimated annual capacity of 36,000,000 board feet.

OTHER INTERESTS

A new subsidiary, Anmercusa Ventures Limited, was formed towards the end of 1968 to invest in risk capital ventures which appear to have good management, an interesting concept, and high growth potential. Several

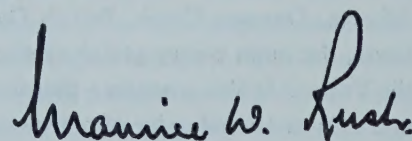
relatively small investments have been made by the new subsidiary, mostly in companies at an early stage of development which, if their potential is realized, will eventually offer shares to the public.

PROSPECTING

During the year the Company, through its exploration subsidiary, participated with Hudson Bay Exploration and Development Company Limited in prospecting programmes in the provinces of British Columbia, Ontario, Quebec, and the Yukon Territory. The examination of various prospects in British Columbia and a geochemical survey did not reveal anything of interest, and surface drilling in Ontario and Quebec failed to yield positive results. However, anomalous areas revealed by airborne geophysical surveys in the provinces of Ontario and Quebec will be investigated and further examination of geochemical anomalies in the Yukon Territory is warranted.

Canmex Minera de México, S.A. de C.V., the exploration company that your Company formed with Mexican nationals, is concentrating on the investigation of the potential of large porphyry-type copper deposits in the State of Sonora and of silver and tin mines in the State of Durango.

During the current year, as a result of an expansion of the joint programmes with Hudson Bay Exploration and Development in Quebec and British Columbia and greater activity by Canmex Minera de México, it is anticipated that your Company's expenditure on exploration will exceed \$500,000, more than double the figure of \$221,106 expended during the year under review.



President

8th April, 1969.

Consolidated statement of income and retained earnings for the year ended December 31, 1968

(with 1967 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1968	1967
Income:		
Dividends	\$3,843,027	\$3,646,126
Interest	2,480,360	1,530,770
Profit on sale of trading securities	1,295,710	243,959
Gain on sale of gold bullion	455,164	—
Miscellaneous	5,169	22,720
Total income	8,079,430	5,443,575
Expenses:		
Interest	2,049,529	697,928
Directors' fees	13,200	13,200
Other operating expenses, less recoveries, 1968—\$165,840; 1967—\$77,150	377,395	194,713
Net expenses	2,440,124	905,841
Income before taxes	5,639,306	4,537,734
Provision for taxes (Note 5)	1,057,139	631,375
Net income	4,582,167	3,906,359
Gain on realization of investments	1,383,081	1,340,659
Retained earnings at beginning of the year	2,591,723	765,650
	8,556,971	6,012,668
Less:		
Dividends paid	3,161,080	3,161,080
Amounts written off unquoted investments	759,064	37,733
Transfer to prospecting and exploration reserve	221,106	27,441
Incorporation expenses written off	17,021	2,279
Amount written off furniture and office equipment	14,165	192,412
	4,172,436	3,420,945
Retained earnings at end of the year	\$4,384,535	\$2,591,723

The accompanying notes are an integral part of the financial statements.

Consolidated balance sheet as at December 31, 1968

(with 1967 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED (Incorporated under the Canada Corporations Act)
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

ASSETS

	1968	1967
Current assets:		
Cash	\$ 6,724	\$ 20,015
Gold bullion—at cost (realizable value, 1968—\$3,147,473; 1967—\$2,289,426) ..	2,789,943	2,286,819
Accrued interest and dividends receivable	727,436	611,638
Accounts receivable—largely due from brokers	5,791,087	485,040
Notes and deposits:		
Chartered banks:		
Canadian term deposits	1,161,512	4,150,335
U.S. term deposits (1968—U.S. \$3,271,896; 1967—U.S. \$4,780,000)	3,510,974	5,166,881
Financial institutions:		
Canadian notes receivable	15,000,000	24,772,198
U.S. notes receivable (1967—U.S. \$1,100,000)	—	1,189,032
Trading securities—at the lower of cost or market value (market value, 1968—\$3,451,214; 1967—\$3,420,199) (Note 2)	3,192,307	3,304,509
Loans receivable:		
Affiliated company	81,806	1,011,384
Other	1,589,982	—
Mortgages—current portion	814,957	—
Total current assets	34,666,728	42,997,851
Quoted investments —at cost (market value, 1968—\$89,894,215; 1967—\$57,679,866) (Note 2)	69,854,127	62,128,637
Unquoted investments —at cost less amounts written off, 1968—\$827,371; 1967—\$68,307	12,291,839	9,250,487
Mortgages —at cost, less current portion	1,123,564	—
Fixed assets (Note 3)	323,661	334,903
Interests in mining investigations —at cost less prospecting and exploration reserve, 1968—\$248,547; 1967—\$27,441	1	5
TOTAL	<u>\$118,259,920</u>	<u>\$114,711,883</u>

The accompanying notes are an in

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
Current liabilities:		
Accounts payable and accrued charges	\$ 844,308	\$ 506,716
Accrued interest payable	138,206	160,839
Loans and deposits:		
Chartered banks (Note 4)	2,824,917	3,452,000
Financial institutions (Note 4)	13,322,000	15,405,945
Affiliated companies	5,353,630	1,022,779
Other:		
Canadian loans	198,127	735,100
U.S. loans (1968 and 1967—U.S. \$4,000,000)	4,292,500	4,323,750
Income taxes payable	816,247	427,581
Total current liabilities	<u>27,789,935</u>	<u>26,034,710</u>
Shareholders' equity:		
Capital stock:		
Authorized:		
10,000,000 shares without nominal or par value		
Issued and fully paid:		
8,429,545 shares	86,085,450	86,085,450
Retained earnings	4,384,535	2,591,723
Total shareholders' equity	<u>90,469,985</u>	<u>88,677,173</u>
Approved by the Board:		
M. W. Rush, <i>Director</i>		
Ian D. Davidson, <i>Director</i>		
TOTAL	<u>\$118,259,920</u>	<u>\$114,711,883</u>

Consolidated statement of source and application of funds for the year ended December 31, 1968

(with 1967 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1968	1967
Source of funds:		
Net income for the year	\$ 4,582,167	\$ 3,906,359
Depreciation and amortization	14,254	10,683
Investments realized:		
Quoted	5,073,719	29,328,447
Unquoted	1,217,469	—
	<u>10,887,609</u>	<u>33,245,489</u>
Application of funds:		
Investments acquired:		
Quoted	11,416,127	7,148,752
Unquoted	5,017,885	7,608,613
Mortgages—long-term portion	1,123,564	—
Dividends paid	3,161,080	3,161,080
Prospecting and exploration expenditure	221,102	27,446
Fixed assets purchased	17,178	536,746
Incorporation expenses	17,021	2,279
	<u>20,973,957</u>	<u>18,484,916</u>
Decrease (increase) in working capital for the year	10,086,348	(14,760,573)
Working capital at beginning of the year	16,963,141	2,202,568
Working capital at end of the year	\$ 6,876,793	\$16,963,141

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

December 31, 1968

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

1. Structure of Amcan Group

In the accompanying consolidated financial statements, the accounts of Anglo American Corporation of Canada Limited (Amcan) have been consolidated with those of its subsidiary companies, all of which are wholly owned:

Anmercosa Securities Limited
 Anglo Canada Holdings (Bahamas) Limited
 Anglo American Corporation of Canada Exploration Limited
 Anmercosa Finance Limited
 Anmercosa Investments Limited—incorporated March 11, 1968
 Anmercosa Ventures Limited—incorporated December 2, 1968.

2. Market Values

Market values of trading securities and quoted investments are based on closing bid prices of recognized stock exchanges on December 31, 1968. In the case of large shareholdings, such prices do not necessarily represent the realizable value of the companies' holdings which may be more or less than the indicated market value.

The prices quoted on foreign stock exchanges have been converted to Canadian funds at the rates of exchange prevailing at December 31, 1968.

3. Fixed Assets

Fixed assets are comprised of the following:

Land and buildings—at cost, less accumulated depreciation of \$16,453	\$177,293
Leasehold improvements—at cost, less accumulated amortization of \$8,485	146,367
Furniture and office equipment—at cost, less amount written off of \$206,577	1
		<u>\$323,661</u>

4. Security for Loans and Deposits

A loan of \$2,689,000 from a chartered bank is secured by the pledging of certain quoted investments to the bank.

The loans from financial institutions are secured by certain of the Canadian notes receivable.

5. Income Taxes

A substantial portion of the income is not subject to income tax, since it is comprised of dividends from tax-paying Canadian companies.

A subsidiary company has accumulated deferred exploration expenditures of approximately \$273,000 which are available for application against its income in future years.

6. Conversion of U.S. Dollar Accounts

U.S. dollar accounts in these financial statements have been converted to Canadian dollars as follows:

Current assets and current liabilities—at the rate of exchange ruling at December 31, 1968.

Interest paid and received and dividends received—at the rate of \$1.00 U.S. equals \$1.08 Canadian, which approximates the official rate of exchange.

7. Forward Exchange Contracts

As at December 31, 1968, a subsidiary company was committed to purchase a total of \$7,805,000 U.S. dollars on various dates to January 31, 1969, at a total cost of \$8,377,086 in Canadian dollars.

8. Long-term Lease Commitments

Under long-term lease agreements, a subsidiary company is committed to pay net rentals of approximately \$52,000 in each of the next four years, and approximately \$106,000 in each of the twenty years thereafter.

9. Commitments to Canmex

A subsidiary company has commitments to provide up to a maximum of \$250,500 U.S. funds to Canmex Minera de México S.A. de C.V. (Canmex) for the purpose of carrying out exploration work in Mexico.

10. Commitment—Agnew Lake Mines Limited

As part of its participation in a programme to provide financing for Agnew Lake Mines Limited, Amcan has agreed to guarantee 20% of any bank loan to Agnew Lake Mines Limited, if such loan were guaranteed as to 80% thereof by Kerr Addison Mines Limited. No such guarantees are presently contemplated, Agnew Lake Mines Limited's financing being currently provided through the sale of units consisting of 7% debentures and common shares. Companies in the group acquired \$1,600,000 worth of these units prior to December 31, 1968, and there is an undertaking to acquire an additional \$1,100,000 of such units. As at December 31, 1968, the maximum amount for which Amcan may become liable under the guarantee is \$5,000,000, this figure to be reduced by the cost of any units purchased subsequent to that date.

11. Interest in Great Northern Capital Corporation Limited

Subsequent to the year end, a subsidiary company acquired 160,450 shares of Great Northern Capital Corporation Limited (G.N.C.) which number, together with the 200 shares held at December 31, 1968, represents 7.73% of the issued shares of that company. The subsidiary has entered into agreements with certain G.N.C. shareholders under which it may be obliged to acquire, in January 1971, an additional 416,000 shares. In certain circumstances, a further 100,000 shares could be acquired in November 1970 in terms of the agreements. The closing bid price of The Toronto Stock Exchange on December 31, 1968 for G.N.C. shares was in excess of the purchase prices specified in the agreements.

12. Comparative Figures

Certain 1967 figures in the consolidated financial statements have been restated to conform to the 1968 presentation.

Auditors' report

To the Shareholders of
Anglo American Corporation of Canada Limited:

We have examined the consolidated balance sheet of Anglo American Corporation of Canada Limited and its wholly-owned subsidiary companies as at December 31, 1968 and the consolidated statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

TORONTO, ONTARIO
February 28, 1969.

